

Message Text

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SUBJECT: TIMBER INDUSTRIES MARKET RESEARCH

REF: USDOC 17771

1. CLARIFICATION REQUESTED REFTEL FOLLOWS:

OUTLOOK FOR SALES

I. WOODWORKING MACHINERY

AS STATED IN THE REPORT DATED JUNE 28, 1976, THE PRODUCT LINES WHICH HOLD THE HIGHEST SALES POTENTIALS ARE THE BIG TICKET ITEMS USED IN PROCESSING WOOD. THE SMALLER ITEMS USED IN FURNITURE AND WOODCRAFT MANUFACTURING REPRESENT GOOD SALES POTENTIALS.

SPECIFICALLY, THE PRODUCT LINES WHICH CAN BE IDENTIFIED ARE:

1. HIGHEST SALES POTENTIAL

- SAWMILL, PLOYWOOD AND VENEER MACHINES
- BANDSAWS, CHAINSAWS, RIG SAWS, CROSS-CUT SAWS, CIRCULAR SAWS, SIZING SAWS
- KILN DRYING EQUIPMENT

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- EXHAUST APPARATUS FOR SAWDUST, DUST

EXTRACTION EQUIPMENT

- LATHES, PLANERS, TURNERS

- THICKNESSER, EDGERS

- SIZERS

- RIGGERS

2. GOOD SALEXPOTENTIAL

- MOTISERS, JOINTERS, SHAPERS, TENONERS, MOLDERS

- PRESSES, GLUERS, POLISHERS, CLAMPS

- CARVERS, POSITIONERS

- SANDERS, SPLICER

- SAW PILING EQUIPMENT, PANEL SAWS

- SCREWING MACHINE

- LOG TURNERS, DOVETAILERS

- CLIPPERS, SHAPERS

- SHARPENERS

IT SHOULD BE EMPHSIZED IN THIS REGARD, THAT THE TENDENCY AMONG SMALL DOMESTIC PRODUCERS IS TO MINIMIZE INVESTMENT IN TERMS OF CAPITAL EQUIPMENTS AND MACHINERIES. FOR THIS REASON, IT IS NOT SURPRISING TO SEE THESE FACTORIES USING MORE MANUAL LABOR IN PLACE OF MACHINERIES. IN SOME CASES, THEY EITHER FABRICATED OR IMPROVISED THE EQUIPMENTS WHICH THEY NEEDED AS MUCH AS PRACTICABLE DEPENDING ON THE AVAILABILITY OF THE MATERIALS. HOWEVER, IN VIEW OF THE GROWING REQUIREMENTS OF THE FOREIGN MARKET FOR WOOD PRODUCTS AS WELL AS THE FAVORABLE GOVERNMENT

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INCENTIVES PROVIDED TO THOSE ENGAGED IN INTEGRATED OPERATIONS, A BIG DEMAND FOR DIFFERENT TYPES OF WOODWORKING EQUIPMENTS, MACHINERIES AND SUPPLIES CAN BE EXPECTED FROM THE SECTOR COMPOSED OF THE SMALL MANUFACTURERS.

ON THE WHOLE, AMONG THE DIFFERENT PRODUCT CATEGORIES UNDER STUDY, THE WOODWORKING MACHINERY CATEGORY PROVIDES THE BEST AREA FOR U.S. MANUFACTURERS AND EXPORTERS.

II. PAPER INDUSTRIES MACHINERY

UNDER THE PRODUCT CATEGORY OF PAPER INDUSTRIES MACHINERY,
THE PRODUCT LINES IDENTIFIED WITH SALES POTENTIALS ARE:

1. HIGH SALES POTENTIAL

- BLEACHING EQUIPMENT, WASHERS

- GRINDER, DECKERS, THICKENERS

- CHIPPERS, BARKERS

- BEATERS, CALENDARS

2. GOOD SALES POTENTIALS

- WOOD PREPARATION EQUIPMENT

- PULP AND PAPER MILL

- PULP AND CHIP SCREWS

- FORMING AND FURNISHING MACHINERY

IT IS WORTHWHILE TO NOTE, HOWEVER, THAT THE PREVAILING BUILT-IN
ARRANGEMENTS BETWEEN PAPER MANUFACTURERS AND SUPPLIERS OF
EQUIPMENTS, TOOLS AND SPARE PARTS WILL HAVE A BEARING ON THE
ACTUAL DEMAND FOR THE PRODUCTS IDENTIFIED.

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INTERVIEWS WITH EXISTING PAPER MANUFACTURERS, REVEALED THAT
MOST OF THE PLANTS SPECIALLY THOSE ENGAGED IN INTEGRATEBPULP
AND PAPER OPERATIONS WERE ESTABLISHED, UNDER PACKAGE ARRANGE-
MENTS. THIS IMPLIES THAT ALL THE EQUIPMENTS, MACHINERIES AND
TOOLS REQUIRED IN THE OPERATION WERE DIERCZWY PROCURED FROM
THE MANUFACTURERS UNDER SPECIAL ARRANGEMENTS. THUS,
WHENEVER THERE IS A NEED FOR REPLACEMENTS AND SPARE PARTS,
THE SAME MANUFACTURERS SUPPLY THE REQUIREMENTS OF THESE
PRODUCERS.

THE PENETRATION OF THE DOMESTIC MARKET FOR THE PRODUCTS
UNDER THIS CATEGORY SHALL DEPEND ON THE FOLLOWING FACTORS:

1. COMPETITIVE PRICES OF EQUIPMENTS AND SPARE PARTS.

2. THE ABILITY OF PROSPECTIVE SUPPLIERS TO CLINCHED
THE DEAL WITH THE INVESTORS OF THE PROPOSED PLANTS UNDER CONSIDERATION BY THE BOARD OF INVESTMENTS AND THE PRESIDENTIAL COMMITTEE ON WOOD INDUSTRY DEVELOPMENT (PCWID).

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III. MATERIALS HANDLING EQUIPMENT

THE MARKET FOR PRODUCTS THAT FALL UNDER THE CATEGORY OF MATERIALS HANDLING EQUIPMENT IS DEFINITELY NOT LIMITED TO THE TIMBER INDUSTRIES. MAJOR INDUSTRIES LIKE MANUFACTURING AND MINING REPRESENT THE OTHER HALF OF THE MARKET. THE SPECIFIC PRODUCTS UNDER THIS CATEGORY IDENTIFIED WITH GOOD PROSPECTS ARE:

1. HIGH SALES POTENTIAL

- INDUSTRIAL TRUCKS

- CONVEYORS, HOISTS

- PACKING AND CLOSING EQUIPMENT

- PALLETIZERS

- TRACTORS, LOADERS

2. GOOD SALES POTENTIAL

- ELEVATOR

- MONORAIL SYSTEMS

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- PALLETS

- LUMBER HANDLES AND CONTAINER

STRONG COMPETITION FROM JAPAN AND WEST GERMANY CAN BE EXPECTED WHEN IT COMES TO INDUSTRIAL TRUCKS, TRACTORS AND LOADERS. THE SAME IS TRUE IN THE CASE OF ELEVATORS, PACKING AND CLOSING EQUIPMENTS.

ALTHOUGH CONVEYORS AND HOISTS COULD BE IN DEMAND, THESE ITEMS CAN BE FABRICATED LOCALLY. THE SMALL SIZED OPERATORS RESORTED TO FABRICATION IN THE EFFORTS TO ECONOMIZE.

TRENDS AND TECHNOLOGICAL DEVELOPMENT
RE: MATERIALS HANDLING EQUIPMENT

IN TERMS OF TECHNOLOGICAL DEVELOPMENT, THE PHILIPPINE TIMBER INDUSTRIES IS A UNIQUE CASE. A SURVEY OF SELECTED PLANTS REVEALED THAT:

1. THE BIG AND FINANCIALLY STABLE CORPORATIONS ENGAGED IN INTEGRATED OPERATIONS ARE USING THE LATEST MODEL AND TECHNOLOGY WHEN IT COMES TO MATERIALS HANDLING EQUIPMENTS. THE MANAGEMENT OF THESE COMPANIES ARE ALWAYS IN THE LOOK-OUT FOR BETTER EQUIPMENTS TO IMPROVE THEIR OPERATIONS. TO THIS GROUP WHICH CONSISTS OF FOREIGN SUBSIDIARIES AND JOINT VENTURES, CAPITAL INVESTMENT IS TAKEN AS A PART IN THE PROCESS OF GROWTH AND NOT AS A BURDEN.

2. THE MEDIUM-SIZED COMPANIES IS A MIXTURE OF THE MODERN AND CONSERVATIVE ENTREPRENEURS. SOME USED FIRST HAND EQUIPMENTS AVAILABLE IN THE LOCAL MARKET WHICH CAME FROM EITHER THE UNITED STATES, JAPAN AND WEST GERMANY. TO THIS GROUP BELONGS THE YOUNG AND AGGRESSIVE INVESTORS WHO ARE BENT ON ESTABLISHING THEMSELVES IN THE BUSINESS. IN MOST INSTANCES, HOWEVER, PRODUCERS TEND TO MAXIMIZE THE UTILIZATION OF THEIR EQUIPMENTS IN THE EFFORT TO CUT-DOWN ON EXPENSES AND CAPITAL INVESTMENTS. THUS, FOR AS LONG AS THE EQUIPMENT IS IN GOOD RUNNING CONDITION DESPITE FREQUENT BREAKDOWNS, THE PURCHASE OF NEW REPLACEMENT IS CERTAINLY OUT OF THE QUESTIONS. TO THIS

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GROUP BELONGS THE FILIPINO INVESTORS WHO ARE QUITE INGENIOUS IN TERMS OF SAVING ON CAPITAL OUTLAY BY WAY OF FABRICATION OR IMPROVISATION OF EQUIPMENTS.

3. THE SMALL PRODUCERS, ON THE OTHER HAND, ARE THE MOST CONSERVATIVE GROUP. MANUAL LABOR IS USED EXTENSIVELY. SINCE THERE ARE COMPANIES ENGAGED IN LEASING HEAVY EQUIPMENT SUCH AS INDUSTRIAL TRUCKS, LOADERS AND TRACTORS, THE SMALL PRODUCERS TEND TO RELY HEAVILY ON THESE GROUPS FOR THEIR REQUIREMENTS WHENEVER THERE IS A NEED FOR SUCH EQUIPMENTS.

AS PREVIOUSLY NOTED, MATERIALS HANDLING EQUIPMENT HAS A READY MARKET IN THE PHILIPPINES. THE FOLLOWING FACTORS, HOWEVER, SHOULD BE CONSIDERED BY PROSPECTIVE U.S. SUPPLIERS IN ORDER TO IMPROVE THEIR MARKET OPPORTUNITIES:

1. THE CONSERVATIVE POSTURE OF FILIPINO INVESTORS. - WHILE THERE EXIST A STRONG TENDENCY TO CUT-DOWN ON CAPITAL INVESTMENTS, FILIPINO ENTREPRENEURS ESPECIALLY THE YOUNGER GENERATION HAVE STARTED TO RECOGNIZE THE NEED TO ADOPT MODERN TECHNOLOGY IF THEY ARE TO STAY LONG IN BUSINESS. THIS MEANS THAT A REORIENTATION IN THE FORM OF EXHIBITS SHOULD HELP BREAK-DOWN THE BARRIER AND WIN THIS GROUP. NO DOUBT THE TECHNOLOGY USED BY SMALL PRODUCERS IN THEIR OPERATION IS RELATIVELY CRUDE COMPARED TO THE BIG COMPANIES, BUT THEY ARE READY TO ADOPT NEW TECHNOLOGY PROVIDED THEY ARE CONVINCED THAT IT WILL BE TO THEIR ADVANTAGE IN THE LONG RUN.

2. THE PRICE LEVELS OF THE EQUIPMENT WHICH WOULD BE MARKETED. - THE

PRICE OF BASIC EQUIPMENT IS ALWAYS THE PRIMARY CONSIDERATION OF MOST INVESTORS. FOR AS LONG AS THERE IS POSSIBILITY TO SAVE NO MATTER HOW SMALL, THE FILIPINO WOULD FAVOR THE PRODUCT THAT COSTS LESS IRRESPECTIVE OF THE QUALITY. THIS IS THE GENERAL TENDENCY WHICH IMPLIES THAT PRODUCTS WITH LOWER PRICES HAVE BETTER CHANCES IN THE DOMESTIC MARKET. HOWEVER, IT IS WIDELY ACCEPTED THAT U.S. GOODS ARE NOT ONLY KNOWN FOR GOOD QUALITY BUT ALSO FOR HIGH PRICES. THIS IS THE REASON WHY JAPANESE SUPPLIERS ARE ABLE TO PENETRATE THE MARKET EVEN THOUGH THE U.S. MANUFACTURERS HAVE ALREADY GAINED A HEAD-WAY OR ESTABLISHED THEIR POSITION IN THE DOMESTIC SCENE.

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3. THE SELLING TECHNIQUE. - BOTH THE JAPANESE AND GERMAN SUPPLIERS'

AGENTS IN THE PHILIPPINES USE THE PERSONAL TOUCH APPROACH IN THEIR

SALES CAMPAIGN. THIS WAS FOUNDED ON THE FILIPINO TENDENCY TOWARDS
PERSONAL RAPPORT AS A BASIS FOR MAKING DECISION.

IN SUM, THE DEVELOPMENTS IN TECHNOLOGY OF THE TIMBER INDUSTRIES IN
PHILIPPINES CANNOT BE JUDGED IN TERMS OF FOREIGN TECHNOLOGY.
FILIPINO MANUFACTURERS ON THEIR OWN STILL HAVE TO GO FAR TO
ACHIEVE COMPARISON WITH FOREIGN MANUFACTURERS IN SIMILAR LINES OF
ACTIVITIES.
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